

Agenda Report

DATE: MAY 11, 1998

TO: CITY COUNCIL/COMMUNITY DEVELOPMENT COMMISSION

FROM: CYNTHIA J. KURTZ, ACTING CITY MANAGER/CHIEF EXECUTIVE OFFICER

SUBJECT: **JOINT PUBLIC HEARING: APPROVAL AND SUBMITTAL OF THE CONSOLIDATED PLAN ACTION PLAN (1998-1999) WHICH FUNCTIONS AS THE APPLICATION AND LIST OF PROPOSED PROJECTS FOR THE CITY'S PARTICIPATION IN THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT'S (HUD) COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM (24TH PROGRAM YEAR 1998-1999), EMERGENCY SHELTER GRANT PROGRAM AND HOME INVESTMENT PARTNERSHIP ACT (HOME) PROGRAM; ALLOCATION TO RECIPIENTS FROM THE CITY'S HUMAN SERVICE ENDOWMENT FUND; AUTHORIZATION TO ENTER INTO SERVICE DELIVERY AGREEMENTS WITH APPROVED RECIPIENTS OR SUB-RECIPIENTS FOR THE USE OF SAID FUNDS**

RECOMMENDATION

1. It is recommended that the City Council and the Pasadena Community Development Commission ("Commission") hold a joint public hearing to consider:
 - (a) the Consolidated Plan Action Plan (1998-99) for participation in the U.S. Department of Housing and Urban Development's ("HUD") Community Development Block Grant ("CDBG") Program, Emergency Shelter Grant ("ESG") Program and HOME Investment Partnership ("HOME") Program, which Action Plan sets forth the proposed projects and allocation of the aforementioned federal program funds and the Commission's ESG matching grant funds, to the recipient and/or sub-recipients recommended herein for Program Year 1998-1999; and
 - (b) the proposed projects and recipient and/or sub-recipient allocation of the City's Human Services Endowment Fund ("HSEF") for Program Year 1998-99 and 1999-2000.
2. It is recommended that the City Council adopt a resolution:
 - (a) Approving and authorizing the filing with HUD of the City's Consolidated Plan Action Plan (1998-99) (Attachment "G"). The Consolidated Plan Action Plan includes the recommendations of the Northwest Commission (Attachment A-1) and the Human Services Commission (C-1)

- (b) Approving and authorizing as a component of the Action Plan an application for CDBG funds in the amount of \$2,499,000 for entitlement funds and \$18,177 for reallocated HUD funds in accordance with the proposed projects as contained in this report;
- (c) Approving and authorizing as a component of the Action Plan the reprogramming of 1996-97 CDBG funds in the amount of \$203,133 in accordance with the proposed projects as contained in this report;
- (d) Approving and authorizing as a component of the Action Plan an application for ESG Program funds in the amount of \$99,000 in accordance with the proposed projects as contained in this report;
- (e) Approving and authorizing as a component of the Action Plan an application for HOME Program funds in the amount of \$1,073,000, in accordance with the proposed projects as contained in this report;
- (f) Approving and authorizing the City Manager to execute, and the City Clerk to attest, the Consolidated Plan Action Plan and any and all other documents deemed necessary by HUD to obtain the allocation of the aforementioned federal funds in accordance with the Consolidated Plan Action Plan;
- (g) Upon approval by HUD of the City's applications, authorize the City Manager to execute, and City Clerk to attest, the recipient and/or sub-recipient agreements, in a form acceptable to the City Attorney, with all of the recipients and/or sub-recipients recommended for a funding allocation as contained in this report;
- (h) Approving an annual allocation in the amount of \$139,000 from the City's Human Services Endowment Fund (HSEF) and \$11,710 in carryover funds from 1997-98 HSEF Program Year in accordance with the proposed projects as contained in this report; and authorizing and directing the City Manager to execute, and City Clerk to attest, the sub-recipient agreements, in a form acceptable to the City Attorney, with all of the recipients or sub-recipients recommended for a funding allocation as contained in this report;

3. It is recommended that the Pasadena Community Development Commission

- (a) Approve an allocation in the amount of \$99,000 from the Low and Moderate Income Housing Trust Fund in accordance with proposed emergency shelter service projects recommended herein; and
- (b) Authorize the City Manager on behalf of the City and Commission to execute, and the City Clerk to attest, the recipient and/or sub-recipient agreements with the approved emergency shelter service providers in a form acceptable to the City Attorney, General Counsel and the Commission.

EXECUTIVE SUMMARY

The Consolidated Plan Action Plan serves as the annual application and listing of proposed projects for funding under the U.S. department of Housing and Urban Development (HUD) CDBG, ESG and HOME Programs for Program Year (PY) 1998-99. The Plan is also required for the City to receive Housing Opportunities for Persons with Aids (HOPWA) funds from the City of Los Angeles, and funding from other federal sources requiring consistency with an adopted Consolidated Plan.

The City's Consolidated Plan Action Plan deadline for submission to HUD is May 15, 1998. Federal regulations require that the Consolidated Plan Action Plan be submitted 45 days prior to July 1, of each program year. If the Consolidated Plan is not submitted by the prescribed deadline a possible delay or reduction in the City's approved entitlement allocation may be imposed by HUD. Such an action could cause a financial hardship to those recommended recipients and/or sub-recipients and their related activities, especially those that are totally dependent on CDBG Program funds.

Therefore, this joint public hearing of the City Council and Commission represents the final step in a citizen participation and allocation process prior to the City Council approving the Consolidated Plan Action Plan (1998-99) for submission to HUD.

This action to approve the Consolidated Plan Action Plan (Attachment "G") follows the review, evaluation and recommendation of funding allocations by the Northwest Commission (Attachment "A-1") and the Human Services Commission (Attachment "C-1") for the CDBG, ESG and the Human Services Endowment Fund (HSEF) Programs. The Northwest Commission is responsible for establishing funding recommendations for 85% of the CDBG Program for non-public service activities. The Human Services Commission is responsible for establishing funding recommendations for 15% of the CDBG Program funds for public/human services activities, ESG Program, as well as the annual HSEF allocation.

On December 18, 1997, HUD notified the City of Pasadena that an annual 1998-99 entitlement allocation of \$3,671,000 (CDBG - \$2,499,000, ESG - \$99,000, and HOME - \$1,073,000) would be available to the city. Of this amount, \$2,124,150 is available for non-public service activities. In addition, HUD advised the City of Pasadena of \$18,177 in reallocated funds which are also available for the 1998-99 Program Year. Of the reallocated funds 85% or \$15,450 can be used for non-public service activities. There are also CDBG funds in the amount of \$203,133 which have been recaptured from the 1996-97 Program Year and can be reprogrammed for 1998-99, non-public service activities. The total amount of available CDBG funds available for allocation to non-public service activities is \$2,342,733.

Similarly, for public/human service activities \$374,850 in CDBG funds (15% of 98-99 entitlement) and \$198,000 in ESG funds/matching housing trust funds are available. Of the \$18,177 reallocated funds (\$2,727) or 15% is included in the public/human service allocation. Also, in consultation with the Human Services Commission it was determined that a total of \$125,710 (\$114,000 of PY 98-99 and \$11,710 carryover 1997-98) in Human Service Endowment Funds (HSEF) will be available for PY 1998-99. Additionally, \$25,000 of Human Services Endowment Funds which were previously set aside by the Human Service Commission for seed grant funds to start-up agencies is also being made available for the 1998-99 allocation. The total amount of public service funds available for allocation is \$726,287. This represents a total CDBG, ESG, HSEF 1998-99 allocation of \$3,069,020.

The Northwest Commission's recommendation for the allocation of CDBG non-public service activities totals **\$2,342,549** for 16 proposed projects, this also includes CDBG Program Administration (\$340,000), Section 108 Loan Payment for Fair Grove Plaza (\$387,416), and Fair Housing Services for the City of Pasadena (\$50,000).

The Human Services Commission's recommendation for the allocation of CDBG public/human service activities, ESG, and HSEF totals \$726,269 for 21 proposed projects/programs.

In addition, the Community Development Committee shall be recommending as part of the annual Pasadena Community Development Commission Budget the allocation of HOME funds in the amount of \$ 1,073,000 for five proposed housing program/project funding categories: (New Construction, Rental Rehabilitation, Homeownership Assistance, Tenant-based Rental Assistance, & Special Needs Housing). Collectively, the aforementioned funding sources represent a total proposed allocation of \$4,142,020.

This report also includes the following attachments:

- "A-1" - Northwest Commission activities recommended for funding and Allocation Process
- "A-2" - Staff Recommendations to Northwest Commission (April 6, 1998 Agenda Report)
- "B" - List of Proposers-Non-Public Service Activities 1998-99
- "C-1" - Human Services Commission activities recommended for funding and Allocation Process
- "C-2" - Staff recommendations to Human Services Commission (March 2, 1998 Agenda Report)
- "C-2" - April 6, 1998 Agenda Report to Human Services Commission
- "D" - List of Proposers - Public/Human Service Activities 1998-99
- "E" - List of proposed HOME Program Categories for PY 98-99
- "F" - Funding Resources Chart (Attachment "F")
- "G" - Consolidated Plan - Action Plan (1998-99) (DRAFT)

BACKGROUND

Consolidated Plan:

In January 1995, HUD required local jurisdictions to consolidate the planning, funding and reporting aspects of four HUD programs - Community Development Block Grant (CDBG), Emergency Shelter Grant (ESG), HOME Investment Partnerships (HOME) and Housing Opportunities for Persons with AIDS (HOPWA). HUD's goal in establishing this Consolidated Plan process has been to encourage development of viable communities by providing decent housing, suitable living environments and expanding economic opportunities principally for low and moderate income persons through a planned and well coordinated comprehensive program. Moreover, the Consolidated Plan functions as a planning document, an application for federal funds, a strategy tool to carry out federal programs, and an action plan that provides a basis for assessing performance.

In July, 1995, HUD approved the City of Pasadena's Consolidated Plan (1995-2000). Upon approval of the five year Consolidated Plan, the federal regulations only require jurisdictions to submit an annual Consolidated Plan Action Plan thereafter. The submission of the City's 1998-99 Consolidated Plan Action Plan proposes projects for the allocation of HUD funds consistent with the Consolidated Plan (1995-2000) previously approved by City Council and HUD.

Funding Sources:

Five funding sources are available for allocation to recipients/sub-recipients for the provision of "public/human service" and "non-public service" activities. As stated above, the City of Pasadena was notified that its annual 1998-99 entitlement allocation totals \$3,671,000 (CDBG-\$2,499,000; ESG-\$99,000; and HOME -\$1,073,000). An additional \$203,133 of CDBG recaptured program funds (1996-97 PY); \$18,177 in reallocated funds; \$99,000 of matching emergency shelter Housing Trust Funds; \$150,710 of Human Services Endowment Funds, \$139,000 plus \$11,710 (carryover from 1997-98 PY) is also available for allocation. This represents a total available allocation of \$4,142,020.

1. Community Development Block Grant (CDBG) Program:

The City's entire 24th Program Year (1998-99) CDBG Entitlement is \$2,499,000. The City has been

advised of \$18,177 in reallocated funds to be used in the 1998-99 allocation cycle. An additional \$203,133 (recaptured funds 1996-97 PY) is available for non-public service activities. Of the Entitlement allocation, 15% (\$374,850) and (\$2,727) of reallocated funds are set-aside for public/human service activities, and, no more than 20% (\$499,800) of the Entitlement amount can be expended for Planning and Administration activities. The remaining funds must be utilized for non-public service activities, such as economic development, housing rehabilitation, code enforcement, acquisition of real property and capital improvement projects. See Attachment "A-1".

Section 108 Loan Guarantee Repayment:

In 1991, the City Council approved the Fair Oaks/Orange Grove Master Plan, which called for the redevelopment of the existing neighborhood commercial shopping center located at the southwest corner of Fair Oaks Avenue and Orange Grove Boulevard.

To partially finance this redevelopment activity, the City obtained a Section 108 Loan in the amount of \$3.7 million from HUD which is to be repaid from the annual CDBG Program entitlement allocation. As a result, \$387,416 of 24th PY funds must be appropriated this year for repayment of this loan. The loan payment represents the repayment of HUD funds used for land assembly for the Fair Oaks Renaissance Plaza neighborhood shopping center. This financial obligation of the CDBG Program funds continues for 14 years until (2012).

2/3. Emergency Shelter Grant (ESG) Program and Housing Trust Fund Grant:

The ESG Program is designed to provide essential services in connection with emergency shelter services for the homeless. The City's ESG allocation from HUD is \$99,000. The McKinney Homeless Assistance Act regulations require that the City match the ESG funds with non-federal dollars. On March 16, 1998, the Community Development Commission approved \$99,000 from the Low and Moderate Income Housing Trust Fund as a matching grant for the ESG program. With the Commission's allocation, a total of \$198,000 is available for allocation to emergency shelters for PY 1998-99. See Attachment "C-1".

4. City of Pasadena - Human Services Endowment Fund (HSEF)

In 1992, the City Council adopted and established the Human Services Endowment Fund (HSEF) to address human service needs in the community. An annual appropriation from the HSEF in the amount of \$139,000 is currently available for allocation during Program Year 1998-99. In addition, HSEF 1997-98 carryover funds in the amount of \$11,710 were realized from programs which ceased operations or began service delivery late in the year. Therefore, this 1998-99 PY a total of \$150,710 (HSEF) is available for allocation.

5. HOME Investment Partnership Act Program (HOME) Funds

In March, 1992, the City of Pasadena was designated by HUD as a "Participating Jurisdiction" pursuant to the federal Home Investment Partnerships Program (HOME), enacted under Title II of the National Affordable Housing Act of 1990. This action entitled the City to receive a formula allocation from HUD to carry out eligible activities in accordance with the HOME federal regulations. In April, 1992, the Pasadena City Council authorized and directed the Pasadena Community Development Commission to administer the City's HOME Program.

The City's HOME Program allocation for PY 1998-99 is \$1,073,000. Of the entitlement allocation, no more than 10% can be expended for planning and administrative activities. The remaining funds must be utilized for affordable housing activities such as, tenant-based rental assistance services, first-time homebuyers programs, rental and homeowner rehabilitation activities, new construction and acquisition. See Attachment "E".

History of Funding Cycle:

The City Council, on April 23, 1992, approved the concept of a two-year funding cycle for the 15% public/human services activities. At its October 25, 1993 meeting, the Human Services Commission approved implementation of the two-year funding cycle for the allocation of Community Development Block Grant, Emergency Shelter Grant and the Human Services Endowment Fund. The Northwest Commission voted to remain on a yearly funding cycle.

On January 31, 1998, the Housing and Development Department, Housing Division, provided a Commissioners' Orientation Session in City Council Chambers. The orientation session provided an opportunity for the Northwest Commission, the Human Services Commission and City staff to have dialogue related to the allocation process. Representatives from the Los Angeles U. S. Department of Housing and Urban Development provided an extensive overview of the federal regulations. The Assistant City Attorney, who works closely with both commissions made a presentation to the group in regards to conflict of interest, the recusal process, the role and responsibility of the commissioner, etc.

The Housing Division staff has made a concerted effort this year to more clearly define the CDBG allocation process and to ensure the evaluation/review criteria is uniformly applied with regards to all proposers.

On April 8, 1998, the Northwest Commission finalized funding recommendations of 24th PY CDBG Program non-public services funds. A total of 16 activities in the housing, code enforcement, capital improvement, economic development, acquisition and planning/administration categories were recommended for funding totaling \$2,342,549. The Northwest Commission funding recommendations are listed on Attachment "A-1".

The Human Services Commission finalized their funding recommendations at their April 6, 1998 meeting, for the public service CDBG, ESG, and HSEF Program funds. The Commission's recommendation represents a total of \$726,260 for public services activities. A total of 21 activities were recommended for funding. The target populations included: children, youth, families, young adults, adults, seniors, homeless, persons with disabilities/special needs. The service categories included: dependent care, job preparation/training, safety, health, information and referral services, education, transportation, youth diversion, homelessness. The Human Services Commission funding recommendations are listed on Attachment "C-1".

CITIZEN PARTICIPATION PLAN

HUD's Consolidated Submission for Community Planning and Development Programs (24 Code of Federal Regulations, Part 91 et al.) requires that each local jurisdiction (City Council) provide for at least 2 public hearings per year to be conducted at a minimum of two distinctly different time periods of the Fiscal Year to obtain citizen views, and respond to proposals and questions.

To ensure the City's compliance with the federal regulations Part 24 Code of Federal Regulations (CFR) 91.105 citizen participation plan, the City Council on October 6, 1998 approved revisions to the City's CDBG Citizen Participation Plan to provide for two City Council convened public hearings twice during the CDBG Program Year. The first public hearing shall be at the time City Council approves the annual priorities for the next program year and the second is when the City Council formally approves and adopts the City's Consolidated Plan-Action Plan (HUD application) for the next program year.

On October 6, 1997, the City Council at its first public hearing approved the needs assessments and priorities as determined by both the Human Services and Northwest Commissions along with the Request for Proposal (RFP) evaluation/review criteria for the 1998-99 allocation process. The evaluation criteria consisted of: Program Description; Experience/Administrative Capacity; Financial Capacity/Collaboration/Leveraging; Priority Need; Local Preference.

FISCAL IMPACT

Approval of the Consolidated Plan Action Plan (attachment "G") by the City Council/Commission and subsequent approval by HUD will contribute federal funds in the amount of \$3,892,310 for achievement of the affordable housing, community development and public/human services goals of the City through funding allocations from the Community Development Block Grant (CDBG), Emergency Shelter Grant (ESG) and Home Investment Partnership (HOME) Programs. Additionally, approval of the Action Plan enables the City to be eligible for other federally-funded programs requiring consistency with an adopted Consolidated Plan and annual Consolidated Plan Action Plan.

Approval of the 1998-99 HOME funding recommendations as submitted will obligate \$1,073,000 for the *proposed* projects.

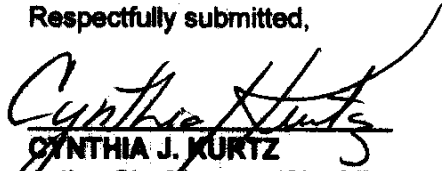
Approval of the 1998-99 PY CDBG funding recommendations as submitted by the Northwest Commission and Human Services Commission will obligate \$3,068,809 for the *proposed* projects.

Approval of the funding recommendations, as submitted by the Human Services Commission, will also obligate \$198,000 to the ESG Program (ESG funds in the amount of \$99,000 and \$99,000 in matching grant funds from the Commission's Low and Moderate Income Housing Trust Fund) for the *proposed* projects.

Approval of the funding recommendations, as submitted by the Human Services Commission, for the Human Services Endowment Fund (HSEF) will also obligate \$150,710 of interest accrued funds.

No General Funds will be utilized. However, it is estimated that approximately \$1.6 million of Low/Moderate Income Housing Trust Funds, tax increments generated from the redevelopment project areas, will also be available annually to augment federal funds allocated for affordable housing project/program activities.

Respectfully submitted,

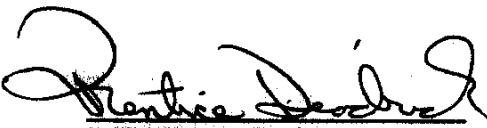

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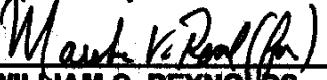

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